



NEWS RELEASE

CALIFORNIA STATE TREASURER PHILIP ANGELIDES

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TREASURER ANNOUNCES \$8 BILLION "DOUBLE BOTTOM LINE" INVESTMENT INITIATIVE

Calls for Increased Public and Private Investment in California's Emerging Markets to Sustain Long-term Economic Success

Sacramento, Ca -- California State Treasurer Philip Angelides today announced a major public policy initiative which calls for the direction of more than \$8 billion in investment capital – through state programs and the State's pension and investment funds – to spur economic growth in California's emerging markets – those communities left behind in the State's current economic boom.

"The widening disparity of economic opportunity across the State threatens our sustained success," said Treasurer Angelides, "The policies and programs included in this initiative have in common a commitment to 'the double bottom line' – the financially prudent management of capital and the creation of hope and opportunity in California's struggling communities."

Release of the Treasurer's report and policy initiative – *The Double Bottom Line: Investing in California's Emerging Markets* – comes on the heels of a groundbreaking conference sponsored by his office last Friday in San Francisco which was attended by over 500 business, civic and financial leaders to discuss the obstacles and opportunities which exist for investment in California's at-risk communities.

Upon announcement of the new initiative, the Treasurer will travel statewide and nationally to meet with financial, civic and business leaders to outline his policy proposals (partial schedule attached).

Key thrusts of the initiative include:

- Model initiatives that will direct over \$8 billion in investment capital (see attached) through state programs and state pension and investment funds – to spur economic growth and development in California's emerging markets. The initiatives will also

leverage substantial, additional private investment in the sectors and communities most in need of capital for economic expansion.

- Over the past decade, billions of dollars of American capital have flowed to risky and highly volatile developing countries across the globe – the so-called overseas emerging markets. California’s two largest pension funds – the California Public Employees’ Retirement System (CalPERS) and California State Teachers’ Retirement System (CalSTRS) – should establish an initial allocation goal (to be reached by December, 2002) of more than \$5 billion of investment in the State’s undercapitalized communities – our own emerging markets that struggle desperately for needed capital investment.
- To achieve the goals of the *Double Bottom Line*, the initiative calls out five key policies:
 - 1) Public pension funds and investment pools must lead the way in a new era of “double bottom line” investment;
 - 2) Public pension funds must broaden their pool of investment managers to capitalize on California emerging market opportunities;
 - 3) Increased commitment of State and local public financial resources and assets to leverage private capital investment in economically struggling communities;
 - 4) State government must help to spur capital investment in historically overlooked communities by funding market research; and
 - 5) Private sector and financial capital should join in partnership with the public sector in a new commitment to investing in California’s struggling communities.

“The State of California – principally through its \$300 billion plus pension and investment portfolios – is integrally woven into the fabric of the global capital markets,” said Treasurer Angelides. “This investment power comes with the responsibility to manage capital wisely. It also provides the opportunity to set a leadership example in a new movement of capital to economically struggling communities.”

Attachments

The Treasurer's Proposal for \$8 Billion in *Double Bottom Line* Investment in California's Emerging Markets

- **More than \$5 billion** in investments by CalPERS and CalSTRS in California emerging market opportunities offering market returns. This would represent an initial allocation goal of 2 percent of the funds' portfolios. Investments could be in a range of asset classes – from private equity to real estate to fixed income.
- **\$1 billion** in capital for home loans for low - and moderate-income Californians through the purchase of Community Reinvestment Act (CRA) mortgages by the State's Pooled Money Investment Account (PMIA). The CRA purchase provides competitive yields to the State.
- **More than \$1 billion** in new State deposits in California financial institutions, providing lenders with capital for home and business lending and a return to the State above Treasury bill rate.
- **\$400 million** in new, private investment to help clean up and redevelop contaminated brownfield sites in distressed communities by leveraging funds of the California Pollution Control Financing Authority (CPCFA).
- **\$300 million** in small business lending through expansion of the California Capital Access Program administered by CPCFA and through potential securitization to make new capital available to lenders.
- **\$100 million** to capitalize the California 21st Century Fund to provide gap financing and land bank funding, in partnership with private capital and foundation resources, for projects – from housing to mixed used to commercial – in underserved communities.
- **\$75 million** in capital for small business lending through the purchase of California only, federally guaranteed SBA loans by the PMIA.
- **\$20 million** in lending for community health clinics through partnerships between the California Health Facilities Financing Authority (CHFFA), banks, and foundations.
- **\$5 million** in funding for a pilot program of market research to spur increased private investment in California's emerging markets.
- **Other initiatives** include linking State and local government deposits to lender CRA performance; providing "Smart Growth" grants to local communities; adopting policies to encourage leasing and development of State offices in economically struggling communities; and establishing Next Generation investment manager programs at State and local pension funds to capitalize on California emerging market opportunities.

**Scheduled Meetings and Speeches by State Treasurer Philip Angelides Regarding
The Double Bottom Line: Investing in California's Emerging Markets
(partial listing for first week of report release)**

- Meeting with financial and investment leaders hosted by Pete Peterson, former US Secretary of Commerce and Chairman, The Blackstone Group (New York, May 10)
- Keynote address to “Making a Profit While Making a Difference” Conference for private and institutional investors (New York, May 10)
- Meeting with financial officers and directors of major grantmaking foundations (New York, May 11)
- Address to the Joint Center for Housing Studies and the Taubman Center for State and Local Government at Harvard University (Cambridge, May 11)
- Address to the Brookings Institution Center on Urban and Metropolitan Policy (Washington, D.C., May 12)
- Meeting with major investment banks (San Francisco, May 17)
- Address to the Commonwealth Club of California (San Francisco, May 17)